

Message Text

SECRET

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 9887

S E C R E T OTTAWA 2058

DEPARTMENT PASS TO COUNSELOR SONNENFELDT FROM ENDERS

NODIS

E.O. 11652: XGDS

TAGS: OVIP (KISSINGER, HENRY A.) CA

SUBJ: INCREASE IN CANADIAN EXPORT PRICES FOR GAS

REF: (A) OTTAWA 2004; (B) OSLO SECTO 13011

1. BELIEVE IT WOULD BE A MISTAKE TO CEASE DISCUSSION OF THE GAS PRICE ISSUE PER YOUR TELEGRAM (REFTEL B), UNLESS WE ARE PREPARED TO BACK OFF THE SUBSTANTIVE POSITIONS THAT WE HAVE NOW AND INDEED HAVE FOR THE LAST TWO YEARS TAKEN WITH THE CANADIANS ON EXPORT GAS PRICES (THAT WE ACCEPT PRICE INCREASES BUT DO NOT WANT OUR CONSUMERS TO BE TREATED WORSE THAN THEIRS; THAT WE ACCEPT PRICING AT THE COMMODITY VALUE, BUT NEED TO HAVE A CLEARLY IDENTIFIED STANDARD TO DEFINE THAT).

2. CANADA'S PROPOSAL TO RAISE GAS PRICES POSED TWO PROBLEMS FOR US. (A) IF ANNOUNCED MAY 18 AS ORIGINALLY PLANNED, IT COULD BECOME AN ISSUE IN WEST COAST PRIMARIES; AND (B) IT WOULD INCREASE RATHER THAN DECREASE DISCRIMINATION AGAINST AMERICAN CONSUMERS AND WAS SO LOOSELY JUSTIFIED THAT IT COULD LEAD TO FURTHER SUBSTANTIAL INCREASES.

3. AS I REPORTED IN REFTTEL (A), CANADIAN CABINET AGREED AT MY URGING ON MAY 17 TO TAKE CARE OF THE FIRST PROBLEM

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AND DELAY ANNOUNCEMENT OF EXPORT GAS PRICE INCREASES.

PUBLICLY OTTAWA HAS SAID THAT IT IS DISCUSSING THE GAS PRICE INCREASES WITH THE U.S. AND THEY WILL BE ANNOUNCED LATER. PRIVATELY CANADIAN OFFICIALS HAVE BEEN TELLING THE PRESS THAT LATER MEANS MID-JUNE.

4. AT THE SAME TIME THE CANADIANS AGREED THAT WE COULD HAVE SOME SUBSTANTIVE DISCUSSIONS OF THE GAS PRICE ISSUE, AND ARRANGEMENTS HAVE BEEN MADE FOR DEPUTY ASSISTANT SECRETARY KATZ TO HEAD A TEAM UP HERE IN THE MIDDLE OF NEXT WEEK. THERE WAS NO REPEAT NO UNDERTAKING BY THE CANADIANS TO ALTER THEIR POSITION, BUT THEY HAVE INSISTED THAT THEY WANTED TO CONSULT WITH US FULLY BEFORE TAKING A FINAL DECISION.

5. YOUR INSTRUCTION TO STOP TALKING ABOUT THE ISSUE WOULD PREEMPT THAT CONSULTATION PROCESS, AND DEPRIVE US OF AN OPPORTUNITY WE MAY HAVE TO GET SOME ADJUSTMENT IN THE CANADIAN NUMBERS.

6. I HOPE YOU AND THE SECRETARY WILL RECONSIDER. WE SHOULD NOT BACK OFF OUR SUBSTANTIVE POSITION AND THE OPPORTUNITY THE CANADIANS ARE GIVING US TO PUT IT FORWARD, WHATEVER THE CHANCES OF SUCCESS.

7. I WOULD AGREE ENTIRELY THAT NO FURTHER DISCUSSION OF THE TIMING OF THE CANADIAN DECISION IS NECESSARY INASMUCH AS THE CANADIAN CABINET HAS ALREADY GRANTED THE DELAY WE SOUGHT.
ENDERS

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